

Exhibit 11  
September 12, 2013 Letter to  
IHS

---

**NAVAJO HEALTH FOUNDATION**
**SAGE MEMORIAL HOSPITAL**

Post Office Box 457 / Ganado, Arizona, 86505 / (928) 755-4500

September 12, 2013

Alva Tom, Acting Director  
 Office of Indian Self-Determination  
 Navajo Area Indian Health Service  
 P.O. Box 9020  
 Window Rock, AZ 86515

Re: Navajo Health Foundation - Sage Memorial Hospital, Inc. ("Sage") Fiscal Year 2014 ("FY2014") Indian Self-Determination Act Contract Renewal and Amendment and Annual Funding Agreement ("AFA") Renewal

Dear Ms. Tom:

As requested in your September 3, 2013 letter, Sage is enclosing herewith copies of the following documents: (i) FY2012 Audit; (ii) FY2014 Budget; (iii) Fringe Rate by category of cost; (iv) Management contract between Sage and Razaghi Healthcare; (v) an updated binder like the one that Sage prepared for the FY2009 negotiations; and (iv) a DVD-RW that has an electronic version of the files in this binder.

We highlight the following points regarding some of the enclosed documents:

FY2012 Audited Financial Statements – See especially note 15, Sage's FY2012 total operating expense of \$30,569,544 of which \$22,871,046 was health care services expense, and \$7,698,598 General and Administration. Since FY2009, Sage's operating expense increased by 23.64 percent.

FY2014 Budget – Sage expects an operating budget of approximately \$35,291,245. This budget was developed using the financial data from Sage's FY2012 Audited Financial Statements, and the year to date July 2013 financial data.

Fringe Rate by category of cost – Sage's weighted average calculated fringe rate is 25.07%. The fringe costs include FICA taxes, SUTA, Workers' Compensation, Disability insurance, employee sick leave, retirement, holiday pay, and paid time off, and employee subsidized programs for health insurance, housing, child care, wellness center, and education and training.

<u>Department</u>	<u>Personnel Budget</u>	<u>Fringe Costs</u>	<u>Total</u>	<u>Fringe Rate</u>
Medical	4,985,688	1,280,852	6,176,541	26.16%

## NAVAJO HEALTH FOUNDATION



## SAGE MEMORIAL HOSPITAL

Post Office Box 457 / Ganado, Arizona, 86505 / (928) 755-4500

Nursing	2,946,195	665,905	3,612,100	22.60%
Dental	491,115	152,028	643,143	30.96%
Laboratory	413,462	121,019	534,482	29.27%
Radiology	366,124	112,437	478,561	30.71%
Pharmacy	1,070,877	285,003	1,355,881	26.61%
Rehabilitation	498,139	90,979	589,118	18.26%
Respiratory	281,476	63,221	344,697	22.46%
Social Services	207,438	65,800	273,238	31.72%
Administration	622,746	75,959	698,706	12.20%
Finance	494,208	78,231	572,439	15.83%
Purchasing	103,105	32,169	135,274	31.20%
Admissions & Registration	114,400	34,269	148,669	29.96%
Patient Accounting	254,797	79,470	334,268	31.19%
Information Systems	216,840	40,752	257,592	18.79%
Healthcare Management	109,096	32,680	141,776	29.96%
Healthcare IS	231,628	70,606	302,235	30.48%
PI/QRM	118,019	35,353	153,372	29.96%
Dietary	61,859	18,530	80,389	29.96%
Environmental Services	236,038	70,707	306,745	29.96%
Human Resources	154,752	25,762	180,514	16.65%
Wellness	89,440	26,792	116,232	29.96%
Child care	101,920	30,530	132,450	29.96%
Facility Management	413,337	125,248	538,586	30.30%
Grounds	64,147	19,215	83,362	29.96%
Security	181,335	54,326	235,681	29.96%
Communications	153,108	45,864	198,973	29.96%
	14,891,316	3,733,721	18,625,038	25.07%

Management contract between Sage and Razaghi Healthcare – Note that Sage’s Board of Directors negotiated an extension for management services by Razaghi Healthcare (“RH”) through September 30, 2020. Among other scopes of services, the Management Contract provides CEO and CEO Succession Planning, Personnel Administration, and Accounting and Financial Records management. The RH Executive Management and Consulting Services compensation is based on fair market value of services provided consistent with Sage’s budget.

Please email or contact my office if there are any other issues we should be aware of before our September 25 meeting so we can be prepared to discuss them with you that day.

Best Regards,

Ahmad R. Razaghi, ME, MBA, ACHE  
Chief Executive Officer

**NAVAJO HEALTH FOUNDATION**



**SAGE MEMORIAL HOSPITAL**

Post Office Box 457 / Ganado, Arizona, 86505 / (928) 755-4500

**Copies:**

Stenson Wauneka, President, Sage Board of Directors

Paul E. Frye, Esq.

Thomas E. Albright, Esq.